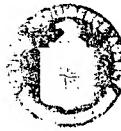


Central Intelligence Agency



Washington, D.C. 20505

92

12 December 1983

MEMORANDUM FOR: Robert Friel
EUR/RTE/EWEA
25X1 Department of State

FROM: [redacted] Chief, Communist Activities Branch

SUBJECT: Communist Aid to Selected Client States

Attached is the final version of the paper provided to NATO
in September, 1983. If you have any questions, please contact
[redacted]

25X1

Attachment:
Communist Aid to Selected Client States,
GI M 83-10232, December 1983, (S)

Unclassified When Separated
From Attachment.

61M 83-10232

25X1

SECRET

Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

8 December 1983

Communist Aid to Selected Client States

Summary

The USSR and its Eastern European allies promised nearly \$1 billion in new military and economic assistance to selected Soviet client states (Afghanistan, Angola, Ethiopia, Mozambique, and South Yemen) in 1982, bringing total commitments to the five countries to more than \$14 billion. Almost all of this assistance has been provided since the mid-1970s. Since 1979, client states (especially Afghanistan and Ethiopia) have accounted for an increasing proportion of Soviet allocations to Third World countries. [redacted] 25X1

Identified military agreements plunged dramatically in 1982 to about 15 percent of the 1981 level, and well below the \$1.4 billion annual average of the previous five years. A precipitous drop in identified new Soviet contracts with Ethiopia and Afghanistan, which together have received two-thirds of the [redacted] 25X1

This memorandum was prepared [redacted] International Security Issues Division, Office of Global Issues. This analysis is based on information available as of September 1983. Comments and queries are welcome and may be addressed to the Chief, Communist Activities Branch, OGI, [redacted]

25X1

GI M 83-10232

25X1

SECRET

USSR's military pledges to the client states under consideration, was responsible for the drop*. In contrast, Soviet economic commitments to client states rose to a record \$650 million, propelled by a \$400 million agreement with Angola to build a dam and powerplant, and by oil assistance to Ethiopia.

25X1

* * *

The Military Program Still the Most Important Policy Instrument

In spite of the drop in new military agreements, Moscow's military program in client states remained its most important instrument to maintain its presence and to further its influence. The USSR and East European countries are the primary military suppliers for all five of the client states. Even though this group accounts for only a little more than 10 percent

Table 1

USSR and Eastern Europe: Military
Agreements with and Deliveries
to Client States

	Million US \$			
	Agreements		Deliveries	
	<u>USSR</u>	<u>Eastern Europe</u>	<u>USSR</u>	<u>Eastern Europe</u>
Total ^a	<u>9,085</u>	<u>565</u>	<u>5,675</u>	<u>470</u>
1955-74	680	35	600	35
1975	305	10	95	..
1976	790	25	150	..
1977	1,305	165	600	130
1978	1,330	125	1,460	120
1979	1,785	70	760	70
1980	520	100	875	50
1981	2,085	5	575	35
1982	280	35	555	35

^aBecause of rounding, components may not add to totals shown.
Numbers are rounded to nearest five.

25X1

*This level could be much higher. We have been unable to assign a value to possible new contracts with Angola and Mozambique.

25X1
of the USSR's total sales, Ethiopian agreements account for more than two-thirds of the Moscow's sales to all of Africa. Ethiopia is Moscow's seventh largest military recipient, Afghanistan is eighth. [redacted]

With military assistance the USSR has helped modernize military establishments in Afghanistan and Ethiopia, and has converted rebel armies into conventional fighting forces in Angola, Mozambique, and South Yemen. In turn, the USSR has created a dependence within client states for spares and follow-on support and has strengthened the Soviet position in their power structures. [redacted]

25X1
In 1982, Moscow's Marxist allies were excepted from a general downtrend in deliveries to non-Arab clients. Angola and Mozambique experienced sharp increases in Soviet arms transfers in 1982, as Moscow bolstered the defenses of its African allies against increasing threats from South Africa. Angola received its first guided missile patrol boats and T-62 medium tanks as well as MIG-21 jet fighters. Moscow also introduced several types of equipment into Mozambique to improve the army's

Table 2

USSR and Eastern Europe: Military Agreements
Concluded and Equipment Delivered,
1955-82

	Million US \$			
	Agreements Concluded		Equipment Delivered	
	USSR	Eastern Europe	USSR	Eastern Europe
Total ^a	<u>9,085</u>	<u>565</u>	<u>5,675</u>	<u>470</u>
Afghanistan ^b	2,885	90	1,270	40
Angola	780	220	775	205
Ethiopia	3,940	110	2,250	110
Mozambique	320	125	290	95
South Yemen	1,155	25	1,090	25

^aBecause of rounding, components may not add to totals shown.
Numbers are rounded to nearest five.

^bExcluding Soviet equipment transfer used exclusively by
Soviet troops.

25X1
[redacted]

capabilities, including APCs, tanks, and bridging equipment. Other notable deliveries included:

- o SU-22 fighter bombers and MI-8 helicopters to Afghanistan,
- o Coastal patrol craft, tanks, APCs, and other ground weapons to Ethiopia, and
- o SU-22 fighter bombers, MI-8 helicopters, and an OSA-II guided missile patrol boat to South Yemen.

25X1

Military Services

The USSR has backed up its weapons sales to client states with the most active technical services program in the Third World. About three-fourths of the Warsaw Pact and Cuban military

Table 3

Communist Military Technicians in Client States, 1982^a

	Number of Persons		
	<u>USSR</u>	<u>Eastern Europe</u>	<u>Cuba^b</u>
Total	<u>6,700</u>	<u>1,200</u>	<u>34,800</u>
Afghanistan	2,000	NA	..
Angola	1,200	500	25,000 ^c
Ethiopia	1,700	600	9,000 ^d
Mozambique	800	..	800
South Yemen	1,000	100	..

^aMinimum estimates of the number of persons present for a period of one month or more. Numbers are rounded to the nearest five.

^bIncluding combat units in Angola and Ethiopia.

^cHighest estimate is 30,000.

^dHighest estimate is 11,000.

25X1

SECRET

Table 4

USSR and Eastern Europe: Training of Client
States Military Personnel in Communist
Countries, 1956-82^a

	<u>Number of Persons</u>			
	<u>1956-82</u>		<u>1982</u>	
	<u>USSR</u>	<u>Eastern Europe</u>	<u>USSR</u>	<u>Eastern Europe</u>
Total	<u>8,570</u>	<u>1,340</u>	<u>400</u>	<u>10</u>
Afghanistan	5,075	655	150	..
Angola	300	5	125	NA
Ethiopia	1,600	520	25	..
Mozambique	400	130
South Yemen	1,195	30	100	10

^aData refer to the minimum number of persons departing for training. Numbers are rounded to nearest five.

25X1

personnel in non-Communist LDCs are employed in these countries. The ratio for Cubans is more than 90 percent, as Havana has dispatched a full range of military personnel (including the only combat units in the Third World) to Angola and Ethiopia to keep their revolutionary regimes afloat. During 1982, Havana increased its presence in Angola to up to 30,000 troops to support Luanda against more aggressive forays over the border by South Africans. Moscow also accepted about 400 military trainees from client states for advanced training in the USSR.

25X1

Economic Aid: Beginning to Make Impact

Until recently, the USSR's economic program in client states has been a secondary effort, and aid levels have disappointed Marxist leaders eager for large amounts of Soviet financing for economic development. In 1982, the USSR provided \$650 million in new credits and grants to hard-pressed client states--about three-fourths of its new pledges for the year. Notable among the new agreements were:

- o A \$400 million credit to Angola for a hydropower project, extended under a 1982 framework agreement that could

eventually provide \$2 billion in financing. This deal calls for Brazil to undertake the infrastructure for the project.

- o Some \$170 million in credits and grants to Ethiopia for oil purchases--the first such allocation to a non-CEMA country.

Table 5

USSR and Eastern Europe: Economic Credits
and Grants to Client States, 1982^a

	Million US \$	
	<u>USSR</u>	<u>Eastern Europe</u>
Total	<u>650</u>	<u>10</u>
Afghanistan	75	..
Angola	400	..
Ethiopia	170	..
Mozambique	5	10
South Yemen

^aNumbers are rounded to nearest five.

25X1

The new credits bring Soviet aid to client states in the past five years to more than \$2 billion, about \$500 million to Afghanistan for commodities and consumer goods. The aid has included a high proportion of grants, a feature not usually found in the Soviet program.

25X1

Table 6

USSR and Eastern Europe: Economic Credits
and Grants to Client States, Extended
and Drawn, 1954-82

	Million US \$			
	Extended		Drawn	
	<u>USSR</u>	<u>Eastern Europe</u>	<u>USSR</u>	<u>Eastern Europe</u>
Total ^a	<u>3,660</u>	<u>980</u>	<u>2,270</u>	<u>315</u>
Afghanistan	2,195	210	1,625	75
Angola	440	100	30	20
Ethiopia	645	390	430	70
Mozambique	180	155	40	80
South Yemen	205	125	140	65

^aBecause of rounding, components may not add to totals shown.
Numbers are rounded to nearest five.

25X1

Disbursement rates under agreements with client states have been unusually high for the Soviet program because Moscow has provided unprecedented levels of commodity support to Afghanistan to help stabilize the regime. Ethiopia also has required oil subsidies and petroleum shipments under credit because of foreign exchange shortages. This has meant that disbursements to client states have averaged about \$400 million annually in the 1980s, or more than two-fifths of Soviet aid deliveries to all non-Communist LDCs. Support to these countries propelled Soviet aid flows over the billion dollar mark for the first time in 1982. It is likely that this Soviet support is even more extensive than we know. For example, we do not include possible budgetary support to South Yemen, whose annual trade deficit with Moscow has been in the \$100 million range for the past three years. Moscow may be deferring (or possibly even excusing) annual trade settlements.

25X1

Table 7

USSR and Eastern Europe: Economic Agreements
With and Disbursements to Client States

	Million US \$			
	Agreements		Disbursements	
	USSR	Eastern Europe	USSR	Eastern Europe
Total ^a	<u>3,660</u>	<u>980</u>	<u>2,270</u>	<u>315</u>
1954-74	1,030	115	680	45
1975	440	30	25	15
1976	90	45	55	30
1977	40	50	80	25
1978	95	400	90	20
1979	530	75	135	25
1980	650	175	395	20
1981	135	80	330	50
1982	650	10	480	85

^aNumbers are rounded to nearest five.

25X1

The USSR's aid to its LDC clients has been noteworthy for its easy terms. About \$500 million to Afghanistan and Ethiopia over the past five years have been grants. Credits have been repayable over a minimum of 12 years at a maximum 2.5 percent interest rate. In addition, the Kremlin has shown itself unusually flexible in rescheduling payments on the large military and economic debts run up by this group of countries. Afghanistan, Ethiopia, and South Yemen have received reschedulings that run through at least 1985 on an estimated \$3-4 billion in economic and military debt. 25X1

Economic Technicians

There were more than 22,000 Soviet, East European, and Cuban economic personnel in client states in 1982, a little over 15 percent of the Communist technical contingent in the Third World. Angola hosted the largest contingent of Cuban economic personnel abroad--about 2,000 construction workers and 4,000 teachers and doctors working in all sectors of the economy. Communist advisors permeated all levels of the bureaucracies in the Marxist states, providing policy planning, administrative and

SECRET

managerial services in the industrial, political, financial, and educational sectors and directing the economy on a day-to-day basis for some. Communist personnel also provided the bulk of the foreign educational and medical services available in most client states. Again, the USSR has shown flexibility in allowing its poorer clients to defer technical services payments under existing lines of credit. Only Angola and Mozambique are known to pay hard currency--generally a prerequisite for an LDC desiring Communist technicians.

25X1

Table 8

**Communist Economic Technicians
in Client States, 1982^a**

	<u>Number of Persons</u>		
	<u>USSR</u>	<u>Eastern Europe</u>	<u>Cuba</u>
Total	<u>9,000</u>	<u>5,000</u>	<u>8,300</u>
Afghanistan	3,500	300	100
Angola	1,500	2,050	6,000
Ethiopia	1,000	600	1,000
Mozambique	1,000	1,300	1,000
South Yemen	2,000	750	200

^aMinimum estimates of number present for a period of one month or more. Numbers are rounded to nearest five.

Client states also sent a disproportionately large share of the foreign academic students enrolled in Soviet and East European universities under agreements to revamp and upgrade their educational system along Marxist lines. Students from Moscow's five clients accounted for more than one-fourth of the 83,000 students in Communist universities from 100 countries at the end of 1982. Afghanistan had the largest student contingent in the USSR under a 1980 agreement to train upwards of 15,000 students in Soviet establishments.

25X1

Table 9

Academic Students From Client States Trained
in USSR and Eastern Europe, 1956-82^a

	Number of Persons			
	1956-82		Being Trained as of Dec 1982	
	<u>USSR</u>	<u>Europe</u>	<u>USSR</u>	<u>Europe</u>
Total	<u>17,620</u>	<u>11,515</u>	<u>13,555</u>	<u>7,945</u>
Afghanistan	9,015	4,120	7,535	2,675
Angola	1,260	1,070	985	790
Ethiopia	5,005	2,320	3,680	1,905
Mozambique	625	2,975	395	2,200
South Yemen	1,715	1,030	960	375

^aNumbers are rounded to nearest five. Most of the estimates are based on scholarship awards.

25X1

Country SurveysAfghanistan

[redacted] the Soviet military campaign against the Afghan insurgents has slowed, if not forced some cutbacks in, Moscow's military and economic development programs in Afghanistan. Security breakdowns in the countryside have affected progress on development projects, while military operations have been hampered by conscription and leadership problems. Even so, aid flows have remained substantial because of food and commodity assistance. [redacted] 25X1

Military Force Improvements

Despite some slippage, the USSR is continuing its effort to expand and upgrade the Afghan defense establishment. Inflows of weapons and material for Afghan forces remained heavy in 1982, while Afghan military personnel continued to leave the country in large [redacted] numbers for instruction and indoctrination in the USSR. 25X1

[redacted] The Soviets are upgrading the Afghan arms inventory with new and sometimes better equipment. For example, old T-34 tanks are being replaced with T-55 and newer model armored personnel

SECRET

carriers. The Air Force has received the most attention and improvement thus far; in 1982, the USSR reportedly transferred SU-22 fighter-bombers and MI-8 helicopters to the Afghan government. On a few of the 25X1 aircraft represented replacement for battle losses. [redacted]

Along with the infusion of new and better hardware, the USSR has invested heavily in improving Afghanistan's logistic base. While much of the new construction--airfields, training facilities, and depots--is being financed with credits under economic agreements, it is dedicated to the support of the Soviet expeditionary force. Other Soviet building projects earmarked for the Afghans have been identified and include several NCO and officer training schools, new barracks, a military vehicle repair shop, and a large medical treatment center. [redacted] 25X1

Economic Aid Turns to Basic Needs

Since the Marxist takeover, Afghanistan has become one of the USSR's largest economic aid recipients (after India) in the non-Communist world. The USSR provided \$75 million in new assistance to Afghanistan in 1982, most of it grant aid to finance the delivery of commodities. More than \$500 million in aid deliveries to the Marxist government has been in the form of grants, generally to cover the delivery of food and other basic commodities. Disbursements were stepped up after the December 1979 Soviet invasion, and have averaged \$200-300 million per year. In addition to its sizable commodity support, the USSR has permitted Afghanistan to defer payments on the services of Soviet technicians, for which the USSR usually demands cash payments. [redacted]

25X1

Deliveries to projects have continued at about \$75 million annually as the Soviets expedite work on transport and military-related projects under credit agreements with Afghanistan that ultimately will facilitate logistics for Soviet troops. For example, in April Soviet personnel completed a bridge across the Amu Darya, a river which forms part of the USSR-Afghan border, 25X1 well ahead of schedule. [redacted]

In contrast, the war has greatly impeded Soviet efforts to move forward with such other major development projects as the Ainaq copper complex, the Hajigak iron ore scheme, natural gas exploration in the north, and extension of the Soviet power grid into Afghanistan. Rebels blew up the gas pipeline close to the border at Jeraqduq in 1982, interrupting gas supplies to the USSR. The only major development contract concluded between Moscow and Kabul in 1982 was for a \$200 million project to link Afghanistan to the USSR's power grid, to be financed under old agreements. The Soviet program in 1982 was supported by 3,500 technicians in Afghanistan, and a burgeoning training effort that saw 7,500 Afghans in Soviet civilian educational institutions at year end. [redacted] 25X1

Until the invasion, Moscow's economic program in Afghanistan was self-sustaining. Commercial deliveries and aid flows were nearly balanced by Afghan exports of 3 billion cubic meters of natural gas annually through a pipeline built by the Soviets in the mid-1960s. Since the invasion the Soviets have had to provide an average of \$150 25X1 million in commodities annually that will not be repaid. [redacted]

Afghanistan has become almost completely dependent on the Soviets for economic aid as well as military equipment. Moscow has been forced to supply food to Afghan cities because the war has disrupted traditional distribution patterns, but it has been unable to replace the \$100 million plus in annual Western aid flows to Kabul that dried up when it crossed the Afghan border in December 1979. Almost all of Afghanistan's foreign trade is now carried out with the USSR, and Moscow is having difficulty in meeting import demands from Afghanistan's consumer goods-oriented society. [redacted]

25X1

Angola

Military setbacks and heavy casualties stemming from more aggressive actions by UNITA guerrillas and South African government troops precipitated sharp increases in Soviet and Cuban support to Angola last year. Putting aside an earlier reluctance to deepen its military assistance, Moscow boosted arms shipments to Angola to record levels and introduced more advanced weapons to shore up Luanda's air and coastal defenses.

Some \$180 million in Soviet military equipment deliveries was identified in 1982, twice the level of past years. The higher value is linked largely to the arrival of more advanced, more costly weapons, including Angola's first OSA missile patrol boat, late-model medium tanks, BMP armored reconnaissance vehicles, and MIG-21 fighters and various early warning radar stations. Additional T-55 tanks, armored personnel carriers, artillery and military transport vehicles rounded out Soviet equipment deliveries for the year. [redacted]

25X1

On the economic side, Angola finally received a significant Soviet commitment to economic development in January under a 10-year agreement that eventually could provide up to \$2 billion in credits. The USSR already has signed a contract to provide \$400 million in equipment credits for the Kapanda hydroelectric dam and powerplant that will be Angola's largest construction project. In an unusual move, the USSR joined with Brazil (which will perform civil construction) to execute this project. It is part of a comprehensive Soviet-formulated development plan under which Moscow will also construct a 990,000 acre irrigation system, bridges, and other projects in Malanje province. The two sides are also discussing the construction of an oil refinery.

[redacted] 25X1

25X1

The large new Soviet agreement has not appreciably reduced the growing tension in relations over the Soviet and East European failure to help reverse the decline in Angola's economy. More than 9,500 Communist economic technicians were present in Angola in 1982, but industrial production lagged far behind prewar levels, and only the Western assisted oil industry operated at a profit. Food and consumer goods shortages became more pronounced during the year. Once an agricultural exporter, the country now imports 90 percent of its food. Angola's poverty has been camouflaged by sharp increases in petroleum prices--oil contributes 80 percent of Angola's export earnings--but recent price drops have virtually bankrupted the government. [redacted]

[redacted] Angola's involvement with Communist countries has been costing it \$2 billion a year in hard currency for military supplies and technical services. Angolans became more restive over what they saw as Communist monopolizing of the few food and consumer items that were imported, while Angolan officials watched the growing Soviet debt burden with dismay.

[redacted] 25X1

Ethiopia

Concessions made on both sides of the bargaining table during Chairman Mengistu's October visit to Moscow in 1982 appear to have strengthened the bonds linking the USSR and Ethiopia. In return for signing an agreement to move forward with the establishment of a Communist party in Ethiopia, the USSR agreed (a) to review rescheduling of the country's large military indebtedness (estimated at \$2-3 billion), (b) additional economic assistance, and (c) additional arms deliveries. [redacted] 25X1

Soviet arms deliveries to Ethiopia in 1982 fell to \$110 million (a six-year low), but the volume remained substantial by any measure. Equipment arrivals consisted mostly of land armaments--tanks, APCs, artillery and heavy transport vehicles. Three Soviet-made coast patrol craft rounded out the year's 25X1 deliveries to Ethiopia. [redacted]

As a result of lengthy economic negotiations, Moscow made substantial new credits available to Ethiopia for oil--its first such concession to a non-Communist LDC, and promised additional development aid. The USSR agreed to provide 500,000 tons of crude oil in 1983 (all of Ethiopia's requirements) on credit at prices 10 percent below the world market. The USSR also appeared to be moving forward on Chairman Mengistu's repeated requests for development aid. Moscow began preliminary work on the \$250 million Gambella irrigation project for which the USSR reportedly will provide large new credits. The USSR also continued work on:

- o a cement plant,
- o a farm machinery assembly complex,
- o a caustic soda plant

- o grain and fodder warehouses,

25X1

- o oil, gas, and mineral prospecting. [redacted]

While publicly reaffirming his political commitment to Moscow, Mengistu continues to rely on the West for economic assistance. Ethiopia is trying to arrange a Western donors' conference in 1983 in the hopes of increasing aid for Ethiopian development projects. Mengistu hopes to obtain substantial increases in aid to food production, the centerpiece of his ambitious five-year plan. Funding has been reduced by several years of low coffee prices and decreasing production. In spite of the deteriorating economy, Mengistu probably will not make the political concessions necessary to attract significant increases in Western funds above the current \$250 million Ethiopia receives annually from Western donors. [redacted]

25X1

Mozambique

Mozambique's policy of expanding ties with Western powers did not affect its relations with Communist countries in 1982. As the security situation worsened, some Mozambican officials questioned the wisdom of relying on Communist countries for military equipment and services, but these reservations have not yet become urgent enough to damage ties forged during Frelimo's long liberation struggle and reinforced with nearly half a billion dollars in Communist military equipment and supplies. Deliveries of Soviet military equipment in 1982 included light cross-country armor and vehicles and bridging equipment tailored to help the Mozambican armed forces cope with the South African supported NRM insurgents. [redacted]

25X1

The USSR and its East European allies deepened their economic involvement in Mozambique during the year with over 500 new technicians and \$15 million in new aid. The USSR, the largest donor with \$140 million in outstanding development credits, pursued several initiatives:

- o Participation in a railroad from the Moatize coal fields to the port of Beira using Brazilian firms as civil works contractors,
- o The supply of \$150 million of equipment for the second stage of the Cabora Bassa hydropower projects,
- o Accelerated work on mining and agricultural projects, an aluminum smelting plant at Caia, and intensified coal exploration.

The USSR also donated \$4.6 million in food and seed grains to Mozambique and signed a two-year trade agreement. [redacted]

25X1

East Germany was the only other Communist donor that provided new aid--\$10 million in commodities as a grant. For the most part, East European countries concentrated on implementing projects agreed to earlier. East Germany (a) discussed a 120,000 hectare grain-growing project, (b) accepted several thousand new students under a program developed in 1981 to train Mozambicans at home and in Germany, (c) sent more agricultural advisors and equipment, and (d) donated educational materiels. Romania prepared to begin work on a \$16 million steel plant for which it is providing some financing. Some 1,300 East European economic personnel were stationed in Mozambique during 1982, commanding hard currency payments estimated at \$25 million annually for 25X1 their home governments. [redacted]

Mozambique's Cuban connection has evolved into a relationship that is characterized by good rapport from the leadership level down. About 1,000 Cubans worked in Mozambique on agricultural, medical, and educational projects; governed by a 25X1 series of agreements signed in the mid-1970s. [redacted]

Even with Communist assistance, Mozambique has made scant headway in filling the void left by the departure of nearly 200,000 Portuguese who were in the country before independence. Production of key export crops--cashews, sugar, and cotton--is at about half of pre-independence levels, manufacturing output is at about half of capacity, and the prospects for economic recovery soon are poor. Increasing rebel activity dampens prospects for an increase in foreign investment, and major development projects are falling by the wayside. [redacted] 25X1

South Yemen

The USSR values South Yemen both for its strategic location and its Marxist politics, and maintains its position in Aden because it is the major provider of arms and military technical assistance. In 1982, the USSR provided Aden with an advanced variant of the SU-22 fighter/bomber that will upgrade pilot training and ground attack capabilities, MI-8 helicopters, an OSA-II guided missile patrol boat (plus STYX missiles), a torpedo retriever, and armored personnel carriers. Nevertheless, Soviet arms deliveries dropped by more than half from the 1981 level to \$55 million, as shipments under \$850 million in agreements signed 25X1 in the late 1970s wound down. [redacted]

Despite his concern over the mounting military debt to the USSR, President Al-Hasani shows no signs of turning elsewhere for military assistance. We have received reports that both the economic and military debt (estimated at \$1-1.5 billion) have 25X1 been deferred for five years. [redacted]

Economic realities, however, threaten to damage South Yemen's relations with the USSR and its East European allies over the long term. Dismayed by the lack of economic progress made since the revolution, President al-Hasani has begun actively to

seek trade and investment in the West and Saudi Arabia. Communist-sponsored projects have suffered in comparison to the limited Western effort in South Yemen. For example, in 1982 an Italian firm discovered oil in Aden's territorial waters; long-term Soviet and Romanian land-based efforts have turned up nothing. Nor has the USSR made much progress on long-awaited power and cement production facilities [redacted]

[redacted] the cost of the powerplant has increased threefold since it was originally promised. The Soviets also are encountering increasing hostility from the local populace because of arrogant behavior and plundering of South Yemeni markets of consumer durables and food to send back to the USSR. In spite of the increasing impatience of South Yemen leaders, in 1982 the USSR managed to sign agreements to improve Aden port and construct a satellite receiving station as part of the Intersputnik network. Work continued on a fishing port, irrigation projects, a hospital, and the powerplant. [redacted]

25X1
25X1

25X1

SUBJECT: Communist Aid to Selected States

OGI/IS/CA:C. [REDACTED] (12 December 1983)

Distribution:

25X1

Orig - Addressee
1 - CPAS/ILS
1 - NIO/USSR
1 - D/GI, DD/GI
1 - C/ISID
1 - C/IS/CA
8 - OGI/PG

SECRET